
SECTION III- SHAPING OUR 21ST CENTURY MANPOWER

OVERVIEW

People who are well led, well trained, and adequately compensated are the most important resource in our readiness equation. Quality of life and quality of service remain a primary focus for the Department. America's naval forces are combat-ready largely due to the dedication and motivation of individual Sailors, Marines, and civilians. The development and retention of quality people are vital to our continued success. The Department is committed to taking care of our Sailors and Marines by sustaining our quality of service/quality of life programs, including training, compensation, and promotion opportunities, health care, housing, and reasonable operational and personnel tempo. The Department continues to focus on three fronts: recruiting the right people, retaining the right people, and achieving targeted attrition. We continue to dedicate resources to those programs best suited to ensuring the proper combination of grade, skill, and experience in the force.



Military personnel FY 2007 budget estimates include a basic pay raise of 2.2 percent and targeted pay raises for warrant officers and mid-grade/senior enlisted personnel to increase their compensation to the 70th percentile of comparable civilian



compensation. We have funded various bonus programs to ensure success in meeting budgeted strength levels. As a result of increased efficiencies ashore and a reduction in legacy force structure, the Navy has budgeted reduced strength in FY 2007. All assigned missions can be accomplished with this level as a result of force structure changes, efficiencies gained through technology, altering the workforce mix, and new manning practices. The Marine Corps baseline strength remains steady while undergoing military to civilian conversions to reassign

supporting establishment billets to deployable forces, in effect creating a virtual increase in strength while providing scalable and interoperable forces to ensure continued readiness. Congress has authorized additional strength for the Marine Corps, and the Department will separately fund such requirements in supplemental requests as they continue.

The training of Sailors and Marines is critical to the implementation of transformational initiatives, delivering qualified personnel to the right place at the right time. The Department is transforming the naval military personnel force by creating modern human resource systems to achieve the objectives of *Sea Power 21* and *21st Century Marine Corps*. Utilizing advanced technologies, the Department is shifting from the traditional schoolhouse classroom approach to the use of simulators, trainers, computer-based interactive curriculums, and other media-based approaches. This initiative provides Sailors and Marines with appropriate training, accommodates the demand in a more efficient manner, and identifies and delivers personnel capable of performing critical tasks to a smaller, more complex Navy.

MILITARY PERSONNEL

Active Navy Personnel

We have invested in recruiting, retaining, and training Navy personnel to create an environment that offers opportunity, promotes personal and professional growth, and provides the kind of workforce needed for the 21st century. With few exceptions, we achieved C-2 manning status for all deploying strike group units at least six months prior to deployment.

The Navy's mission is to organize, train, maintain, and equip combat-ready naval forces capable of: winning the global war on terrorism and any other conflict; deterring aggression by would-be foes; preserving freedom of the seas; and promoting peace and security. The most important element in carrying out our mission is people. Our Navy people – military, both active and reserve; civilian, both government civilians and contractors; and our families bring dedication, patriotism, strength, unity of effort and diversity of talent and culture to our Navy. Our people are critical to our success; *Strategy for Our People* serves as the framework for charting a new and clear vision for them. The strategy will help guide the Navy to develop a competency-focused workforce; align organizations, strategies, policies and processes; recruit, retain, and motivate people; set performance expectations against measurable organizational goals; maximize contributions from every individual while providing opportunities for growth and work-life balance to them; and achieve diversity throughout our force, our total force.



Strategy for Our People and subsidiary enterprise and community-level strategic plans called for in these pages will ensure alignment across the Navy enterprise while we meet the challenges outlined in the Quadrennial Defense Review's Managing People chapter, the Department of the Navy's *Strategy for Our People*, CNO Guidance for 2006, and the Navy's Strategic Plan. The strategic planning that results from alignment of these capstone documents will become a repeatable practice that provides continuity and consistency throughout planning cycles. Personnel readiness improvement is the important outcome of all these efforts.

Strategy for Our People begins to move our Navy toward a capability-based and competency-focused workforce that develops and sustains the critical competencies necessary to support our expanding role in the Global War on Terror, Homeland Defense, and stability operations. We must also determine the future force – in terms of capabilities, size, and mix – required to assure our allies and friends, and dissuade, deter and/or defeat our enemies. While we address our skill imbalances we will also focus and improve our efforts in the talent marketplace to achieve a more diverse workforce. We will link and leverage Sea Warrior and National Security Personnel System processes to achieve an agile and robust Total Force personnel architecture that rewards performance and can quickly respond to emerging competency demand signals.

Ultimately, our strategy is about on time delivery of the best value workforce – specifically the right component of the workforce to the right place with the right competencies and motivation to support Joint and Navy mission accomplishment.

Recruiting continues to meet the manpower needs of the Navy. Active Navy recruiters have met their monthly shipping and new contract mission goals for 54 consecutive months. Active recruiting also continued to increase the quality of sailors being sent to the fleet by increasing the High School Diploma Graduate percentage to over 95 percent, and over 70 percent of FY 2004 accessions were in test score category I-III A. Over 12 percent of new recruits had some college experience. We will maintain the number of E-4 to E-9 (Top 6) at 73 percent in FY 2007 to continue to retain more of our experienced leaders and maintain advancement opportunities.



Recruiter Productivity (Active)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
# of Recruiters	3,824	3,750	3,750
# of Recruits (New Contracts)	34,403	37,452	35,000
# of Recruits per Recruiter	9	10	9
Size of DEP (Beginning of FY)	25,374	21,743	22,743

Chart 8 and Table 12 provide summary personnel strength, accession, reenlistment, and attrition data for active Navy personnel.

Chart 8- Active Navy Personnel Strength

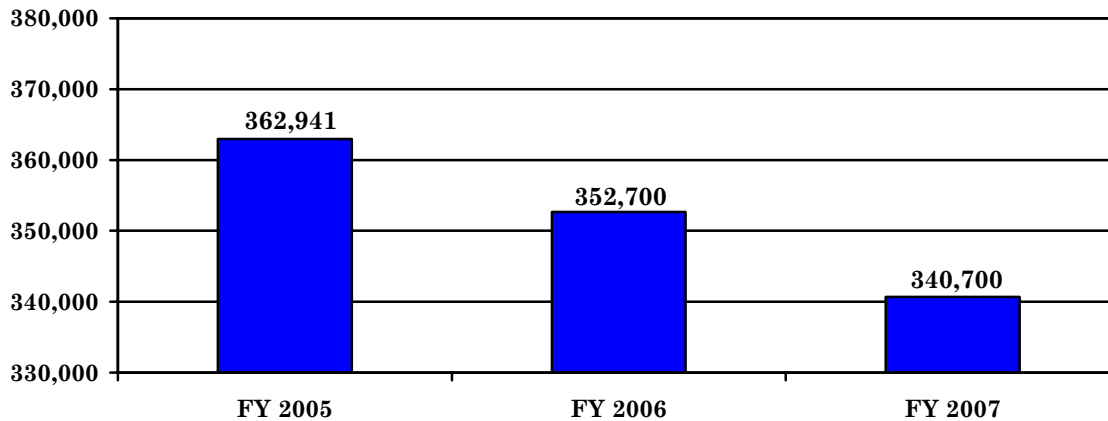


Table 12

*Department of the Navy
Active Navy Personnel*

	FY 2005	FY 2006	FY 2007
Officers	52,826	51,895	51,095
Enlisted	305,735	296,705	285,605
Midshipmen	4,380	4,100	4,000
Total: Strength	362,941	352,700	340,700
Enlisted Accessions	37,703	36,456	35,000
Percent High School Diploma Graduates	96%	95%	95%
Percent above average Armed Forces Qualification Test	70%	70%	70%

Enlisted Reenlistment Rates

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Steady State Goal</u>
Zone A (<6 years)	52%	51%	53%	53%
Zone B (6 to 10 years)	63%	60%	67%	64%
Zone C (10 to 14 years)	85%	84%	86%	85%

Note: Strength Plans categorize reenlistments as First Term (Zone A) and Career.

Zones B and C rates derived using extrapolated Center for Career Development historical data.

Enlisted Attrition

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Zone A (<6 years)	8.2%	8.1%	8.1%
Zone B (6 to 10 years)	2.3%	1.7%	1.7%
Zone C (10 to 14 years)	1.1%	0.9%	0.9%

Reserve Navy Personnel

The budget continues to transform our military, further integrating our Active and Reserve forces. The Navy Reserve Force provides mission-capable units and individuals to the Navy/Marine Corps Team throughout the full range of operations from peace to the Global War on Terrorism. This budget will support Navy Reserve strength of 73,100 in FY 2006, reduced to 71,300 in FY 2007, providing pay and allowances for drilling Navy reserve and Full Time Support (FTS) personnel. FY 2005 strength was 76,473.



The Navy's continuous Zero Based Review (ZBR) is validating Navy Reserve mission requirements and associated reserve billet structure, creating efficiencies and allowing resources in every capability to be more effectively integrated into Navy operations. The budget reflects implementation of the initial phases of the ZBR. Some of these modifications include: disestablishment of FFG-7 class augment units and changes to the ship manning documents, reduction of CVN augment units and SeaBee units, deletion of reserve personnel on a submarine tender, reductions in manning at various naval stations, conversion of Force Protection FTS and drilling reserve billets, and disestablishment of the EA-6B augment units due to future transition to EA-18G. This budget also provides a non-prior service program to meet Hospital Corpsman manning challenges and adds funding for force shaping to allow the force to align to the ZBR structure. The Navy Reserve goal is to increase the ability to provide integrated, valued, and aligned capabilities that maximize periodic and predictable operational support to the fleet.

Chart 9 and Table 13 provide summary personnel strength, for reserve Navy personnel.

Chart 9 - Reserve Navy Personnel Strength

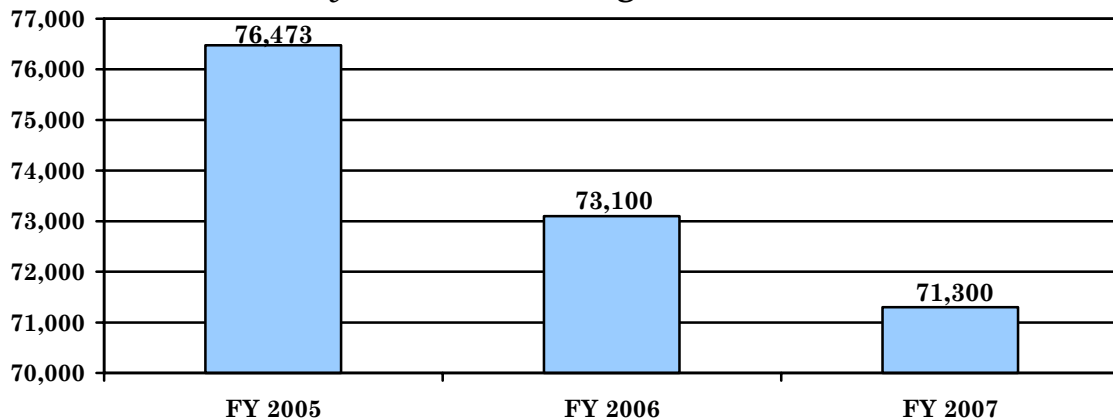


Table 13**Department of the Navy
Reserve Navy Personnel**

	FY 2005	FY 2006	FY 2007
Drilling Reserve	62,766	59,708	58,736
Full Time Support	13,707	13,392	12,564
Total: Strength	76,473	73,100	71,300

Also refer to Appendix A for more information:**Table**

Military Personnel, Navy	A-1a
Medicare-Eligible Retiree Health Fund Contribution, Navy	A-1b
Reserve Personnel, Navy	A-3a
Medicare-Eligible Retiree Health Fund Contribution, Navy Reserve	A-3b

Active Marine Corps Personnel

This budget submission supports a strength of 175,000 Marines. The Marine Corps is realigning existing strength to ensure continuing readiness and sustained combat capabilities. Military to civilian conversions allow Marines who were in supporting establishment billets to be reassigned to deployable forces, effectively increasing the number of “trigger pullers” with no increase in strength. Also, additional authorized strength will be funded through supplemental requests to the extent it remains necessary during intense contingency operations. Due to increased demands, we are relying on Selected Marine Corps Reserve unit activations and individual augmentees as necessary to provide essential wartime capability.

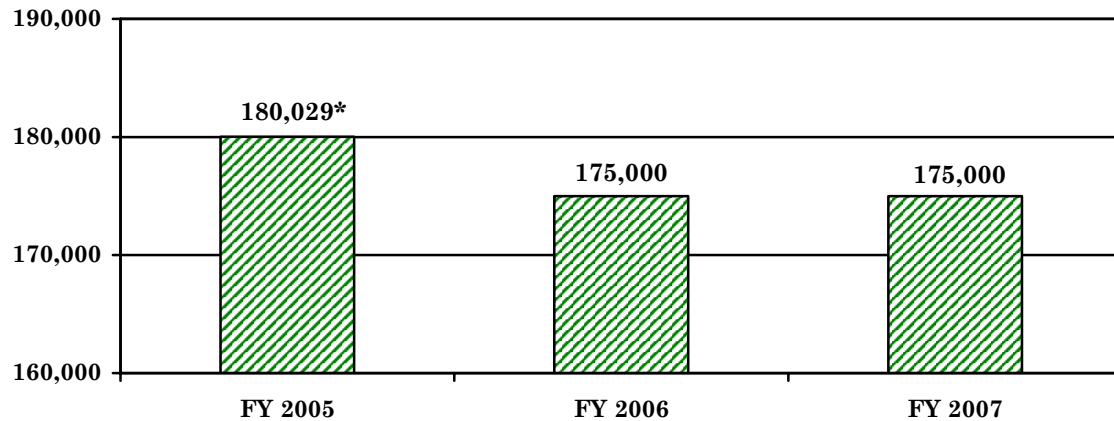
The Marine Corps anticipates continued success in meeting recruiting and retention goals to maintain the planned force level. Additionally, this budget supports requirements for initial skill training, and follow-on training courses; provides for a martial arts program that provides combat skills for all members; and supports continued success in meeting recruit accession goals. This budget request also continues distance-learning programs in an effort to reduce the training pipeline, thereby increasing manning levels of the operating forces.

**Recruiter Productivity (Active)**

	FY 2005	FY 2006	FY 2007
# of Recruiters	2,650	2,650	2,650
# of Recruits	32,863	32,468	32,600
# of Recruits per Recruiter	12	12	12
Size of DEP (Beginning of FY)	22,533	18,973	18,973

Chart 10 and Table 14 provide summary personnel strength, accessions, and retention data for active Marine Corps personnel.

Chart 10 - Active Marine Corps Personnel Strength



*FY 2005 strength achieved through supplemental funding.

Table 14

Department of the Navy

Active Marine Corps Personnel

	FY 2005	FY 2006	FY 2007
Officers	18,885	18,400	18,400
Enlisted	161,144	156,600	156,600
Total: Strength	180,029	175,000	175,000
Enlisted Accessions	32,863	32,468	32,600
Percent High School Diploma Graduates	96%	95%	95%
Percent above average Armed Forces Qualification Test	70%	63%	63%
Reenlistments	13,499	17,519	16,542

Enlisted Reenlistment Rates				
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Steady State Goal</u>
Zone A (<6 years)	27%	25%	25%	25%
Zone B (6+ to 10 years)	56%	55%	55%	55%
Zone C (10+ to 14 years)	72%	70%	70%	70%

Reserve Marine Corps Personnel

The FY 2007 budget request supports a Marine Corps Reserve strength of 39,600. This strength ensures the availability of trained units augmenting and reinforcing the active forces, as well as providing manpower for a Marine Air Ground Task

Force headquarters and Marine Forces Reserve. The budget provides pay and allowances for drilling reservists attached to specific units, Individual Mobilization Augmentees (IMAs), personnel in the training pipeline, and full-time active reserve personnel. Consistent with the active component, the Marine Corps funds bonus programs at levels required to meet recruiting and retention goals.



The Marine Corps continually reviews its reserve requirements to fully support the National Military Strategy. The Department remains committed to reserve support enhancing and complementing the active force while maintaining unit readiness to meet crisis and security requirements.

Chart 11 and Table 15 provide summary personnel strength for reserve Marine Corps personnel.

Chart 11 - Reserve Marine Corps Personnel Strength

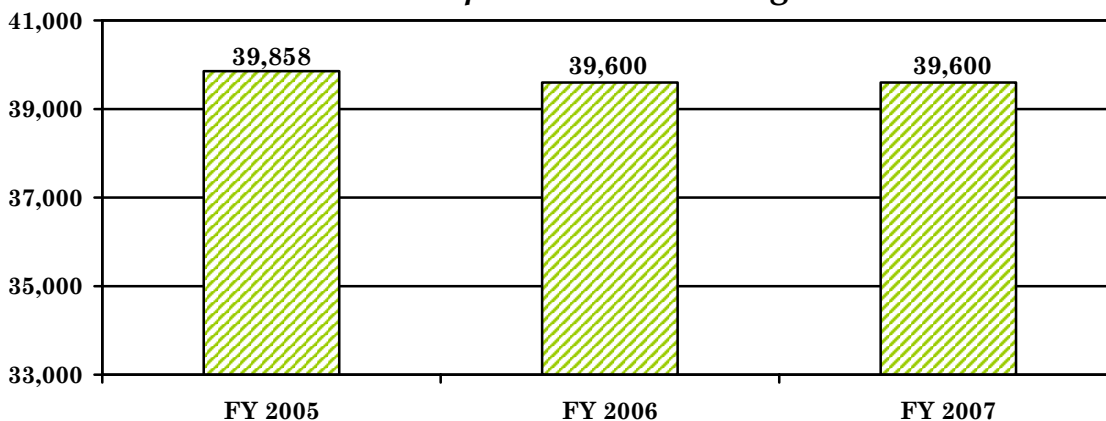


Table 15

Department of the Navy

Reserve Marine Corps Personnel

	FY 2005	FY 2006	FY 2007
Drilling Reserve	37,602	37,339	37,339
Full Time Support	2,256	2,261	2,261
Total: Strength	39,858	39,600	39,600

Also refer to Appendix A for more information:

Military Personnel, Marine Corps	A-2a
Medicare-Eligible Retiree Health Fund Contribution, Marine Corps	A-2b
Reserve Personnel, Marine Corps	A-4a
Medicare-Eligible Retiree Health Fund Contribution, Marine Corps Reserve	A-4b

Table

A-2a
A-2b
A-4a
A-4b

CIVILIAN PERSONNEL

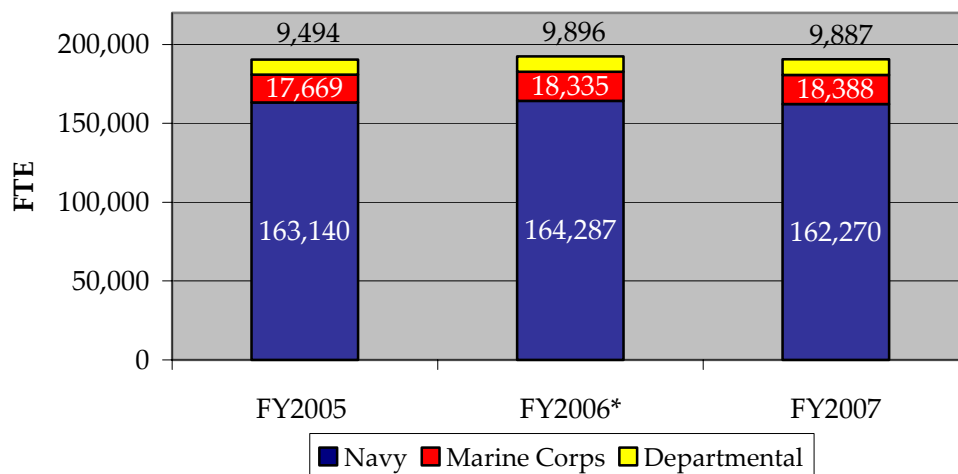
The majority of the Department's civilian personnel are funded by operating appropriations and provide direct support at Navy and Marine Corps shore activities; engineering, development, acquisition, and life cycle support of weapon systems; Navy Fleet/Marine Corps operations support; and medical activities. Departmental functions include: Departmental headquarters organizations, criminal investigative service, human resource support, scientific research, and acquisition program oversight within the Navy and Marine Corps. Since FY 2000, the Department exceeded the directed management headquarters personnel reduction of 15 percent. In addition, a significant portion of civilian personnel are employed at Navy Working Capital Fund (NWCF) activities engaged in depot level maintenance and repair, development of enhanced warfighting capabilities at warfare centers, and direct fleet transportation, supply, and public works support. Overall reductions in civilian personnel levels are offset by increases for military to civilian conversions in the medical, transportation and Marine Corps areas.

In FY 2007, we are proposing that 11,217 civilian personnel transfer from NWCF to O&MN to transition the two east coast shipyards to mission funding.

The Department of the Navy budget includes the following civilian personnel Full-Time Equivalent (FTE) workyear estimates:

Civilian FTE Workyear Estimates			
	<u>FY 2005</u>	<u>FY 2006*</u>	<u>FY 2007</u>
FTE	190,303	192,518	190,545

Chart 12 - Civilian Personnel FTEs



*Reflects anticipated execution

Transforming the Workforce

National Security Personnel System (NSPS)

The FY 2004 National Defense Authorization Act authorized the Department of Defense to establish a new civilian human resources management system known as the National Security Personnel System (NSPS). This legislation provides flexibilities in the hiring and management of civilian workers, and links pay to mission accomplishment and performance. The NSPS reforms will provide supervisors and managers greater flexibility in managing civil service employees, facilitate competition for high quality talent, offer compensation competitive with the private sector, and reward outstanding service.

Workers will be converted to the new system in three groups. The first group, Spiral 1.1, will include personnel from Army, Navy, Air Force, and other Department of Defense civilian employees, and will be rolled out beginning in FY 2006. Subsequent groups will comprise the remainder of the eligible workforce and will be initiated following an assessment of Spiral 1.1 and after the Secretary of Defense certifies the Department's performance management system.

Workforce Balancing

The Department strives to achieve the most effective and efficient workload balance among its military, civilian, and supporting contractor components. As part of the Strategic Sourcing program, the Department will continue to study military and civilian positions across the FYDP. Finally, the Department continues to identify military billets that are not "military essential" for conversion to civilian personnel or contractor performance.

Civilian Community Management

The Department is enhancing civilian career management. The identification of needed competencies for each career group and performance standards necessary for mission accomplishment is key. This will ensure the Navy and Marine Corps will have the right mix of people and skills.

The Department of the Navy continues to strive towards a leaner, more efficient organization to best address its warfighting and recapitalization requirements. Chart 12 displays planned civilian personnel full-time equivalents and Table 16 displays total civilian personnel resources.

Table 16

Department of the Navy
Civilian Manpower
Full-time Equivalent

	FY 2005	FY 2006*	FY 2007
Total — Department of the Navy	190,303	192,518	190,545
<u>By Component</u>			
Departmental	9,494	9,896	9,887
Navy	163,140	164,287	162,270
Marine Corps	17,669	18,335	18,388
<u>By Type Of Hire</u>			
Direct	178,880	181,166	179,196
Indirect Hire, Foreign National	11,423	11,352	11,349
<u>By Appropriation</u>			
Operation and Maintenance, Navy	85,511	85,508	96,526
Operation and Maintenance, Navy Reserve	1,290	1,113	1,018
Operation and Maintenance, Marine Corps	15,366	15,604	16,246
Operation and Maintenance, Marine Corps Reserve	182	207	207
Total - Operation and Maintenance	102,349	102,432	113,997
Total - Working Capital Funds	83,387	85,316	71,968
Military Construction, Navy	2,053	2,164	2,112
Research, Development, Test & Evaluation, Navy	1,353	1,437	1,443
Military Assistance	68	69	69
Family Housing (N/MC)	1,093	1,100	956
Total - Other	4,567	4,770	4,580
<u>Select Special Interest Areas</u>			
Shipyards	25,194	25,643	24,527
Fleet Activities	11,492	12,437	12,235
Aviation Depots	10,561	10,700	10,340
Supply/Distribution/Logistics Centers	6,879	7,624	7,824
Warfare Centers	34,974	34,251	32,960
Engineering/Acquisition Commands	12,385	12,875	14,070
Medical (DHP)	10,606	12,608	13,374
Installation Management	23,609	19,339	17,423
Transportation	7,096	7,344	7,893

*Reflects Anticipated Execution

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